



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
KANSAS CITY OFFICE



AUDIT SERVICES

FAX (816) 823-1398

8930 Ward Parkway, Suite 2401
Kansas City, Missouri 64114-3302

Telephone (816) 268-0500

INVESTIGATION SERVICES

FAX (816) 268-0526

JUL 11 2003

Dr. Edward Hundert
President
Case Western Reserve University
Adelbert Hall 216
10900 Euclid Avenue
Cleveland, Ohio 44106-7001

Dear Dr. Hundert:

This is our Final Audit Report presenting the results of our audit of the Talent Search program at Case Western Reserve University (CWRU). The objective of our audit was to determine if Case Western Reserve University administered the Talent Search program in accordance with the law (Higher Education Act of 1965, 402B) and specific Talent Search regulations governing the documentation of participant eligibility. CWRU officials did not concur with our finding or recommendations in their June 5, 2003, response to our draft report. We have summarized the comments after the finding and recommendations and the full response is provided as an attachment to this letter.

AUDIT RESULTS

We found that Case Western Reserve University did not always administer its Federal Talent Search grant in accordance with applicable law and regulations. For the grant period September 1, 2001, through August 31, 2002, we estimate that CWRU served only 399 of the 600 participants, the minimum number of participants required of Talent Search grantees, it was funded to serve. By not meeting the required minimum number of participants, the CWRU Talent Search project was ineligible and all \$212,428 of grant expenditures for the budget period were unallowable.

Requirements for Talent Search Grantees and Regulatory Definitions

For the 2001–2002 budget period, CWRU and the U.S. Department of Education (the Department) agreed that the grant was to serve 600 participants (the target population). This was the same as the minimum 600 participants required to be served per the Talent

Search regulations in 34 C.F.R. § 643.32 (b).

Participants must meet two conditions according to 34 C.F.R. § 643.7

(b) *Other definitions . . . Participant* means an individual who—

- (1) Is determined to be eligible to participate in the project . . .; and
- (2) Receives project services designed for his or her age or grade level.

Department officials provided us with examples of adequate documentation for services provided, such as sign in sheets. The regulation at 34 C.F.R. § 643.32 (c) (3) requires grantees to maintain documentation to support the services rendered.

Some Talent Search Participants Claimed Did Not Meet Both Conditions to be Considered a Participant

We selected a random sample of 100 names from a list provided by CWRU of 605 Talent Search participants claimed for the 2001-2002 budget period.¹ We reviewed Talent Search records for all 100 files selected. Two sampled participants did not meet the eligibility requirement because documentation for one student's citizenship was not provided and one student's eligibility file was missing. Of the remaining 98 sampled participants who met the eligibility requirement, 32 did not receive any eligible service during the budget period. Therefore, only 66 of the 100 sampled participants met both parts of the participant definition by meeting the basic eligibility requirement and receiving an eligible service during the budget period. The Talent Search assistant director confirmed that 34 participants did not meet one or both parts of the definition as reported.

Based on our statistical sample, we estimate that CWRU only served 399 eligible participants during the 2001-2002 budget period.²

The inclusion of inactive participants in the population, the newness of the program, and lack of guidance to staff may account for the CWRU's difficulties in meeting its Talent Search target number. The Talent Search program at CWRU began in 1998; however, written policies and procedures for staff to refer to in administering the Talent Search

¹ CWRU reported in its Annual Performance Report to the Department that 605 participants were served by the Talent Search program during the 2001-2002 budget period.

² We are 90% confident that the participants receiving eligible services total 399+/- 11.35 percent.

program have not been established. In testing our sample, we found instances where a participant's eligibility was determined in a prior period; however, service was not provided in the 2001-2002 budget period. Talent Search officials told us that they were not aware that service must be provided to participants in each budget period in which the participant is counted.

The 399 participants are significantly below the 600 participant target population for which CWRU was funded. Therefore, CWRU was not in compliance with regulatory requirements for the period September 1, 2001, through August 31, 2002, and all \$212,428 grant funds expended for the budget period were unallowable.

Recommendations:

We recommend that the Chief Financial Officer (in collaboration with the Assistant Secretary for Postsecondary Education) require

1. Case Western Reserve University to:

- 1.1 Refund the entire \$212,428 expended for its Talent Search program during the 2001-2002 budget period.
- 1.2 Establish written policies and procedures specific to the Talent Search program to ensure that only eligible participants receiving project services in the budget period are counted as Talent Search participants.
- 1.3 Deliver project services to the target number of participants in each budget period of the project.

2. The Department's Director of Federal TRIO Programs to:

- 2.1 Monitor Case Western Reserve University's current and future Talent Search projects to determine whether the University will be able to meet required minimum participant numbers or should have its grant withdrawn.
- 2.2 Review Case Western Reserve University's three prior budget periods (1998, 1999, and 2000) to verify that the participant numbers were met in each budget period and take appropriate action.

Auditee Response and OIG Comments

CWRU disagreed with our recommendation of a refund primarily because they believed we disallowed the majority of individuals because they did not receive multiple project services during an award period. We disagree because we did not disallow any individual who received at least a single service during the award year. As stated above, 32 of the 98 sampled students who were eligible for service did not receive any project service.

CWRU also reported that it has “instituted increased management controls over and in the project.” The response detailed CWRU’s revised participant selection process and documentation of services process and estimates that the Talent Search Program Manual will be completed September 1, 2003. We believe the revised procedures and manual will increase CWRU’s ability to serve its target number of participants in the future.

OTHER MATTERS**Application Approval Was Not Always Clearly Documented**

Acceptance of participants into the Talent Search program was not always clearly documented. The application form currently used by CWRU contains an “Office Use Only” block to be completed by staff including the *decision* for whether or not to admit a participant into the program. This block also provides for the staff member, approving the application, to sign and date the application. We found that 30 of the 99 applications reviewed did not contain a signature or date of a Talent Search staff member. The regulation at 34 C.F.R. § 643.32 (a)(1) requires a grantee to “determine the eligibility of each participant in the project at the time that the individual is selected to participate.” We were able to satisfy our objective through other sources, such as a copy of a letter of acceptance addressed to the applicant. CWRU Talent Search officials told us that no one was responsible for reviewing applications for eligibility, and that any Talent Search staff member may approve participant applications. Establishing a procedure of supervisory review of Talent Search applications might help to ensure that all applications are clearly documented and confirm acceptance for each participant in the project.

BACKGROUND

Title IV of the Higher Education Act of 1965, as amended (20 U.S.C. 1070a-11 and 12), authorizes the Talent Search program, one of the Department’s TRIO programs. The

Talent Search program is governed by the regulations codified in Title 34 C.F.R. 643. All regulatory citations in the report are to the codification in effect as of July 1, 2001.

The Talent Search program provides grants to projects designed to (1) identify qualified youths with potential for education at the postsecondary level and encourages them to complete secondary school and undertake a program of postsecondary education; (2) publicize the availability of student financial assistance for persons who seek to pursue postsecondary education; and (3) encourage persons who have not completed education programs at the secondary level, but who have the ability to do so to reenter these programs. (34 C.F.R. § 643.1)

CWRU is located in Cleveland, Ohio. It is a private, nonprofit university. Although its origins date to 1826, the University in its present form is the result of the 1967 federation of Case Institute of Technology and Western Reserve University. The two institutions had shared adjacent campuses since the late nineteenth century.

CWRU was awarded a five-year Talent Search grant covering the performance period September 1, 1998, through August 31, 2003 (P044A980247). This was its first Talent Search grant. For the 2001-2002 budget period, CWRU was awarded \$212,428 to provide services to 600 participants and a \$10,000 supplemental technology grant awarded to all Talent Search projects. The Access/TRIO Programs Office was established at CWRU in November 1998, administratively placing the Talent Search and the Upward Bound programs under one umbrella. The CWRU Talent Search project serves 6th through 12th grades in the East Cleveland Public School System. During the academic year, program services are conducted in the East Cleveland City Schools. During the summer months, services are provided in the East Cleveland Schools and at CWRU.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine if CWRU administered the Talent Search program in accordance with the law and specific Talent Search regulations governing the documentation of participant eligibility. Specifically, we sought to determine whether participants met the twofold requirements of (1) eligibility and (2) receipt of eligible services during the budget period.

To accomplish our objective, we

- reviewed applicable Federal law and regulations,

- reviewed files relating to the Talent Search project at CWRU and at the Department's TRIO program office located in Washington, D.C.,
- interviewed CWRU and Department of Education personnel,
- determined whether the TRIO cluster had been audited by the University's Certified Public Accountants,
- obtained and analyzed documents related to the Talent Search project at CWRU, e.g. organization chart, Annual Performance Report, and
- randomly selected 100 Talent Search participant files from a universe of 605 to test participant eligibility and documentation of eligible service. All student records selected in the sample were reviewed.

We relied upon the population list provided to us by CWRU officials for drawing our sample. We tested the population list for accuracy and completeness by comparing source records to the population list and the population list to source records. Based on this test, we concluded the population data was sufficiently reliable to be used for a sample population in meeting the audit's objective. An extract of payment and award data from the Department's Grants and Payments System (GAPS) was used to corroborate information obtained from the University's accounting system. We found that the University's accounting data was sufficiently reliable for our audit purposes.

The audit covered the 2001-2002 grant budget period (September 1, 2001, through August 31, 2002). We visited the Department's TRIO program offices located in Washington D.C. from July 31, 2002, to August 2, 2002. Fieldwork was conducted at CWRU from December 9, 2002, to December 13, 2002. We held an exit conference with officials of CWRU on December 13, 2002. Our audit was conducted in accordance with generally accepted government auditing standards appropriate to the scope of review described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of our review we assessed the system of management controls, policies, procedures, and practices applicable to Case Western Reserve University's administration of its Talent Search program. Our assessment was performed to determine the level of control risk for determining the nature, extent, and timing of our substantive tests to accomplish the audit objective.

For the purpose of this report, we assessed and classified the significant controls into the following categories:

- Services provided to participants
- Participant eligibility
- Program record maintenance

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed management control weaknesses, which adversely affected Case Western Reserve University's ability to administer the Talent Search program. These weaknesses included noncompliance with Federal regulations related to participant services resulting in participant ineligibility and deficient record maintenance procedures. These weaknesses and their effects are fully discussed in the *AUDIT RESULTS* section of this report.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determination of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on the audit:

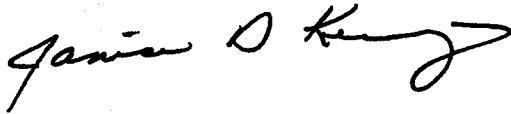
Jack Martin
Chief Financial Officer
U.S. Department of Education
Office of the Chief Financial Officer
400 Maryland Avenue, SW
Washington, DC 20202

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued to the Department's grantees and contractors are made available, if requested, to members of

the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,



for William Allen

Regional Inspector General for Audit

Attachment

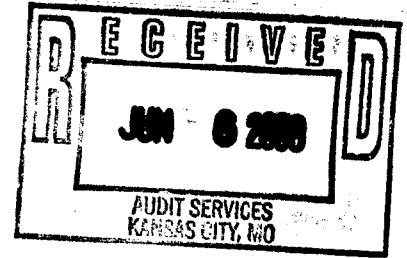
cc: Jack Martin, Chief Financial Officer
Sally Stroup, Assistant Secretary, Office of Postsecondary Education (OPE)

electronic cc: Charles Miller, Audit Liaison Officer & Post Audit Group, OCFO
Dottie Kingsley, Audit Liaison Officer, OPE
Harold Jenkins, Office of the General Counsel
William D. Hansen, Deputy Secretary
Phil Maestri, Office of the Deputy Secretary
John Danielson, Chief of Staff
Eugene Hickok, Under Secretary
John Gibbons, Director, Communications
Clay Boothby, Acting Assistant Secretary, Legislation and Congressional Affairs
Laurie M. Rich, Assistant Secretary, Intergovernmental and Interagency Affairs
Carolyn Adams, OGC (Correspondence Control)
Richard Jameson, OPE (Correspondence Control)
L'Wanda Rosemond, General Operations Team
Headquarters and Regional Audit Managers



CASE WESTERN RESERVE UNIVERSITY

June 5, 2003



Mr. William Allen
Regional Inspector General for Audit
U. S. Department of Education
Office of Inspector General
8930 Ward Parkway, Suite 2401
Kansas City, MO 64114-3302

**RE: Draft Audit Report (Control Number ED-OIG/A07D0002)
Talent Search Program, Case Western Reserve University**

Dear Mr. Allen:

We are most appreciative of the audit recently conducted by the Office of the Inspector General of the Case Western Reserve University Talent Search Program. Our Talent Search Program has already benefited from your audit by allowing us to more effectively provide services to our participants. We are also pleased to have this opportunity to review and respond to the Draft Audit Report dated May 8, 2003 referenced above.

The Talent Search Program at Case Western Reserve University is a new TRIO Program on our campus, having been first funded September 1, 1998. It has been the concerted effort of the University to provide quality services to the target population and to administer the Program in accordance with applicable federal regulations and guidelines. In this respect, it is worth noting that all federal funds provided to the CWRU Talent Search Program were spent on allowable Talent Search activities.

The CWRU Talent Search Program continues to be ambitious in its efforts to administer its federal Talent Search grant in accordance with both federal regulations and the University's own policies and procedures. Thus, we will attempt to confine our responses herein to applicable federal regulations and comments by the Secretary of the Department of Education contained within the Code of Federal Regulations that pertain to the Talent Search Program.

As indicated in the Draft Audit Report, the Office of the Inspector General sampled 100 of the 605 participants in CWRU's Talent Search Program and determined that some of the participants did not meet both of the conditions to be considered a participant pursuant to 34 C.F.R. 643.7(b). Specifically, the Office of the Inspector General found that 32 participants did not receive eligible service during the 2001-2002 budget period. In addition, the Office of the Inspector General determined that two (2) participants did not meet the eligibility requirement due to inadequate documentation. Lastly, the Office of the Inspector General recommended that CWRU establish written policies and procedures to help the Talent Search staff in administering the Program. Each of these issues is addressed separately below.

University Office of Student Affairs

MAILING ADDRESS
Case Western Reserve University
10900 Euclid Avenue
Cleveland, Ohio 44106-7060

VISITORS AND DELIVERIES
110 Adelbert Hall

Phone 216-368-2020
Fax 216-368-6957

I. Eligible Participants and Services

The Office of the Inspector General's determination that 32 participants did not receive eligible service during the 2001-2002 budget period is based primarily on the grounds that these students received only one service during the budget period and therefore do not fall within the definition of "participant" set forth in 34 C.F.R. 643.7(b)(2). Thus, the Office of the Inspector General determined that these students cannot be counted as project participants and estimated that CWRU served only 399 of the required 600 eligible participants during the budget period. CWRU takes issue with this interpretation of the definition of "participant" for several reasons.

First, the Department of Education itself has interpreted the term "participant" in 34 C.F.R. 643.7(b)(2) to mean a student who would benefit from one or more of the services available from a Talent Search Project. *See Appendix – Analysis of Comments and Responses, What Definitions Apply? [643.7]* ("the proposed definition of "participant," which required that a participant be able to benefit from *one or more* of the services available from the project.") (emphasis added).

Second, 34 C.F.R. 643.7(b)(2) does not specify the minimum number of services which must be provided to a participant. Rather, it simply provides that "Participant means an individual who receives project services designed for his or her age or grade level." In this context, the term "services" in 34 C.F.R. 643.7(b)(2) is merely referring to the types of services set forth in 34 C.F.R. 643.4 since not all services that are offered by Talent Search Programs are appropriate for every age or grade level. If the federal government envisioned that more than one service had to be provided to a student in order for that student to be considered a participant in a Talent Search Program, this would have been clearly delineated in the regulations and comments (e.g., "two or more services must be provided for a student to be considered a participant"). However, this was not done in this case.

The Office of the Inspector General recognized this fact when it audited the Department of Controls Over TRIO Grantee Monitoring during the period from January 1, 1998 through September 30, 2000. Specifically, the Office of the Inspector General advised the Department of Education that the definition of "participant" for Talent Search Programs is unclear and that more guidance should be given to grantees. *See Final Audit Report, ED-OIG/A07-90034*, January 2002, at 21. The Office of the Inspector General noted:

To achieve accurate participant counts, grantees must be given clear definitions of the criteria for determining who can be counted as a participant. *TRIO program regulations provide definitions that are sufficiently clear for this purpose, with one exception: grantees are not told how to determine the extent of service that must be provided to an individual for him or her to be counted as a project participant. An example of this is that, according to the TRIO program office, an individual is only to be counted as a participant in a Talent Search or Student Support Services project if he or she has received project service on two or more occasions, but we have found that this requirement was not*

stated in written guidance provided to grantees. The instructions that are used by TRIO grantees to complete required reports would be an appropriate place to provide this clarification.

Id. (Emphasis added). Thus, the Office of the Inspector General itself has determined that on its face, 34 C.F.R. 643.7(b)(2) does not require that individuals must receive project services on two or more occasions in order to be counted as a participant.

Third, the Department of Education's interpretation of 34 C.F.R. 643.7(b)(2) is inconsistent with the other regulations set forth in 34 C.F.R. 643.1 *et seq.* Specifically, a student is eligible to participate in the Talent Search Program if he or she "needs *one or more* of the services provided by the project." *See 34 C.F.R. 643.3(a)(3)* (emphasis added). Thus, under the Department of Education's interpretation of 34 C.F.R. 643.7(b)(2), a student is eligible to be a participant in a Talent Search Program if he or she needs only one service, but can only be counted as a participant if he or she receives more than one service. This interpretation is unreasonable and inconsistent and would result in eligible students being denied a needed service or given extra services that are not needed for the sole purpose of being counted as a participant. These are clearly not the intended results of the Talent Search Program. There are numerous occasions where a student needs only one service, such as a senior referred to the Talent Search Program for assistance with the completion of the Free Application for Federal Student Aid (FAFSA). The CWRU Talent Search Program provides that service to the student and we believe that the student can be counted because he or she meets the eligibility criteria for the Project and that of a participant.

II. Inadequate Documentation

In order to ensure that student application approval is always clearly documented and that only eligible participants are counted as participants in CWRU's Talent Search Program, we have revised both our participant selection process and documentation of services process. These revisions are set forth below.

A. Participant Selection Process

The revised participant selection process consists of an application packet that must be completed prior to student selection. The application packet includes an Application, Parental Release, Verification of Eligibility/Needs Assessment/Work Plan, and Early Intervention/Middle School/High School Initial Needs Assessment. Each of these forms is described below.

Application:

The application is distributed to all students who are interested in participating in the CWRU Talent Search Program. Prospective students are given from 24 to 48 hours to return the application.

Parental Release: The Parental Release is used to obtain a copy of the student's academic transcript and is returned with the application.

Verification Form: Upon receipt of the application and transcript, the Verification of Eligibility/Needs Assessment/Work Plan form is completed by the recruiting staff member. Upon completion, this form is submitted to the Director for approval. The date the Director signs the form is the official date of enrollment of the student in the CWRU Talent Search Project. The eligibility category recommended by the staff and accepted by the Director is that which supportive documentation is available and the category which the student is accepted.

Initial Needs Assessment: The Early Intervention/Middle School/High School Initial Needs Assessment form is completed by the student immediately after acceptance to the Project and it is the first step in providing quality services.

CWRU is confident that its revised selection process, including the new application packet and supervisory review procedure, will insure that approval of participant applications is clearly documented and that only eligible participants are accepted into the CWRU Talent Search Program.

B. Documentation of Services Process

We have also revised our documentation of services process and developed Group and Individual Contact Logs to better document the services provided to our Talent Search participants. When possible, the participant will sign the contact log. However, it is not possible for the participants to sign a sign-in sheet in all cases. For instance, the CWRU Talent Search staff often provides the services set forth in 34 C.F.R. 643.4 in group settings such as classrooms, college fairs, and career days. In these situations, the CWRU Talent Search staff members have class rosters and check off each participant's name accordingly.

Although we are in agreement with the Office of the Inspector General that a sign-in sheet is the most appropriate method of documenting the provision of services, the Department of Education has never informed the CWRU Talent Search Project Director that sign-in sheets are needed or required to document that services were provided. In fact, the opposite is true. As you know, the Department of Education has embarked on the use of high technology in all TRIO programs for service delivery, accountability, student use, and paper reduction.

In the case of the CWRU Talent Search Program, we currently utilize the Blumen database. In using this database, we encourage our staff to immediately enter the services provided to participants into a laptop computer provided by the project instead of writing the services on paper. This process is consistent with the federal government's paper reduction program and ensures that all services provided are entered properly into each participant's database record.

In addition to the steps outlined above to improve the documentation of services that are provided to participants of its Talent Search Program, the CWRU Project Director will also receive a monthly report on students served to ensure that students are eligibilized and that they have received the services they need. If there are any omissions in eligibility determination or the provision of eligible services, this will be rectified immediately.

Thus, CWRU is confident that its revised documentation process, including its Group and Individual Contact Logs and monthly service reports, will insure that project services are delivered to the target number of participants in each budget period of the project.

III. CWRU Talent Search Program Manual

Lastly, in response to the recommendation of the Office of the Inspector General that CWRU establish written policies and procedures for staff to refer to in administering the CWRU Talent Search Program, the University has begun the development of a Talent Search Program Manual which will serve as the guidelines for staff to follow in the identification, recruitment, and selection of students, the provision of the appropriate service(s) and documentation of services provided. We estimate that this policy and procedures manual will be completed no later than September 1, 2003.

In conclusion, CWRU believes that because we have thoroughly reviewed the audit, provided you evidence where we disagreed, and have instituted increased management controls over and in the project, that no refund is due to the USDOE for the 2001-2002 budget period.

Your favorable review of this document, in advance, is greatly appreciated.

Sincerely,



Glenn Nicholls
Vice President for Student Affairs
Case Western Reserve University

cc: Dr. Edward Hundert, President
G. Dean Patterson, Jr., Assistant Vice President for Student Affairs
Hossein Sadid, Vice President for Finance and Administration and Controller
Paul Frey, Associate Controller, Office of the Controller
Christopher Masotti, Director Internal Audit
Dennis Rupert, Director of Finance and Administration for the Div. of Student Affairs
Carrie A. R. Reeves, Director, Office of Access/TRIO Programs
Monica Coker, Assistant Director, Talent Search Program